

Committee(s): Procurement Sub Committee Finance Committee	Date: 15th July 2021 20 th July 2021
Subject: City Procurement Efficiency and Savings Target 2021/22	Public
Report of: The Chief Operating Officer	For Information
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Summary

The report is to advise members of the Efficiency and Savings target set for City Procurement; for the financial year 2021/22 of £9,944,417

This is derived from three elements

- £6,000,000 of new sourcing savings to be generated within this financial year.
- £2,607,417 from savings from previous procurement activity that delivers savings in this financial year
- £1,337,000 from Commercial Contract Management

Recommendation(s)

Members are asked to:

- Note the Procurement Efficiency and Savings target of £9,944,417 for the financial year 2021/22

Main Report

Background

1. City Procurement is set an annual savings target at the start of each year. This target is based on the contracts to be let during the financial year and savings from commercial contract management.
2. This year's target is £9944417

Method for Target Calculation

The process in setting the annual target includes:

The annual savings from Sourcing activity is set using two types of in-year savings.

Those are:

- *Previously let contracts generating savings (known as run-rate)* – Savings already guaranteed for the current financial year from contracts let in previous years. This is for contracts that span different financial years and

is typically for service contracts that are let for a 2-7 year period when the savings are spread across the life of the contract.

- *New contracts let generating savings* – Savings targeted to be generated from new contracts let and commence during the financial year.
- *Commercial Contract Management Savings*: The savings target for Commercial Contract Management is derived from a return of 2.5:1 on salary costs.

The target is a significant increase from previous targets. This target includes projected savings from the Major Projects Programme and supports the challenge of the Medium Term Financial plan. It reflects the work of Procurement with Category Boards to provide greater challenge to delivering savings. It is important that services work at early stages of service 'commissioning' in order that the commercial approach can be shaped to drive savings.

It is to be noted that the set target has excluded projects that relate to income generation.

Whilst the above focuses on the savings target for Procurement, there is a broader consideration about Best Value – i.e. the cheapest may not always deliver the best value contract, so savings as an aim should not be considered in isolation. The more 'nuanced' approach to deriving price/quality ratios needs to continue to be refined, along with a robust understanding of risk trade-offs. Additionally, the Procurement team will more robustly seek to challenge through stage gates the reasons for procurement and alternate make/buy options which may be appropriate.

Conclusion

City Procurement has finalised its Sourcing Plan for 2021/22 by gathering information from all departments on potentially new tenders to be run, combined with the expiry of contracts from our corporate contract register. The target set is £9,944,417

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